

KREDCOR COMMERCIAL DEBT RECOVERY

WHITE PAPER 8

# Business Rescue vs Liquidation

## *A Creditor's Survival Manual*

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How to protect your B2B claims, navigate the creditor priority waterfall, and maximise recovery when your most important debtors enter insolvency proceedings

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Companies Act 71 of 2008 | Insolvency Act 24 of 1936 | CIPC Practice

## Executive Summary

When a key commercial debtor becomes financially distressed, the South African creditor faces one of the most complex decisions in business law: understand the process their debtor is entering, act quickly, and position their claim correctly — or risk losing everything to a creditor who moved faster.

Business rescue and liquidation are the two primary insolvency regimes under South African law. They are fundamentally different in purpose, process, timeline, and outcome for creditors. Business rescue — introduced by Chapter 6 of the Companies Act 71 of 2008 — aims to rehabilitate a financially distressed company as a going concern. Liquidation — governed by the Companies Act and the Insolvency Act 24 of 1936 — aims to wind up the company, realise its assets, and distribute the proceeds among creditors in a strict statutory order.

For most B2B trade creditors, the distinction is the difference between recovering 14–28 cents in the Rand and recovering nothing at all — or between acting within the first 10 days and missing the entire claims process.

<b>8–22c</b>	<b>14–28 c</b>	<b>74c</b>	<b>25 days</b>	<b>21 days</b>
Average recovery: concurrent creditors in liquidation	Average recovery: concurrent creditors in business rescue	Average recovery: early pre-insolvency action (Kredcor 2026)	Business Rescue Plan publication deadline from commencement	Window to object to liquidation account after Gazette notice

This white paper provides B2B credit managers, CFOs and SME owners with a complete guide to both processes — what happens, when, what your rights are, and exactly what you must do in the critical first days after your debtor enters either business rescue or liquidation.

## Contents

1. The South African Insolvency Landscape — Overview
2. Business Rescue — The Full Process for Creditors
3. Liquidation — The Full Process for Creditors
4. The Creditor Priority Waterfall
5. The Critical First 10 Days — What You Must Do Immediately
6. Proof of Claim — How to File Correctly in Both Processes
7. The Business Rescue Plan — Your Rights as a Creditor

- 8.** Voting Rights and Creditor Committees
- 9.** The Moratorium — What It Means for Debt Collection
- 10.** Secured vs Concurrent Creditors — Protecting Your Position
- 11.** Prescription During Business Rescue and Liquidation
- 12.** Suretyships and Personal Guarantees — Can You Still Pursue Directors?
- 13.** Pre-Insolvency Warning Signs — The Kredcor Early Warning Framework
- 14.** Credit Insurance and Business Rescue — What Your Policy Does (and Doesn't) Cover
- 15.** Recovery Rate Data by Sector — 2026 Kredcor Annual Survey
- 16.** The Creditor's Survival Checklist
- 17.** Conclusion and Kredcor Recommendations

## 1.

## The South African Insolvency Landscape — Overview

South Africa has two distinct legal regimes for dealing with companies that cannot pay their debts. Understanding which regime applies — and which is more likely to maximise your recovery — is the first critical task for any B2B creditor.

### The Two Regimes at a Glance

Factor	Business Rescue	Liquidation
Governing law	Companies Act 71 of 2008, Chapter 6	Companies Act 71 of 2008 + Insolvency Act 24 of 1936
Primary purpose	Rehabilitate company as going concern	Wind up company; distribute assets to creditors
Who initiates	Board resolution or court application	Creditor, shareholder or company court application
Trading continues?	Yes — under BRP control	No — immediate cessation
Moratorium on claims?	Yes — general moratorium (Section 133)	Yes — legal proceedings stay on wind-up order
Creditor voting?	Yes — on Business Rescue Plan (75% majority required)	Yes — on appointment of liquidator and liquidation account
Typical duration	3 months – 2 years	1 – 5+ years (contested)
Average concurrent recovery (Kredcor 2026)	14–28c in the Rand	8–22c in the Rand
Can convert to other?	Yes — plan may provide for liquidation	Cannot revert to rescue once liquidation ordered

# BUSINESS RESCUE vs LIQUIDATION — THE CREDITOR'S PROCESS MAP

What happens to your money — and when — under each insolvency process in South Africa

BUSINESS RESCUE (Companies Act s128–s154)		LIQUIDATION / WINDING UP (Companies Act s79+)	
<b>1</b>	<b>Resolution / court order</b> Board resolution or court order places company in rescue	<b>1</b>	<b>Winding-up application</b> Court application or special resolution by shareholders
<b>2</b>	<b>BRP appointed</b> Business Rescue Practitioner appointed within 5 business days	<b>2</b>	<b>Court order</b> Provisional / final winding-up order granted
<b>3</b>	<b>Moratorium</b> General moratorium on legal proceedings & enforcement	<b>3</b>	<b>Liquidator appointed</b> Master of High Court appoints liquidator
<b>4</b>	<b>Meetings of creditors</b> First meeting within 10 days; committees formed	<b>4</b>	<b>Estate frozen</b> All assets vest in liquidator; no further trading
<b>5</b>	<b>Business Rescue Plan</b> BRP publishes plan within 25 days (extendable by vote)	<b>5</b>	<b>Proof of claim</b> Creditors lodge claims with liquidator by deadline
<b>6</b>	<b>Vote on plan</b> Holders of 75%+ of voting interest must approve	<b>6</b>	<b>Realisation of assets</b> Assets sold; proceeds pooled into liquidation estate
<b>7</b>	<b>Implementation / Discharge</b> Plan implemented; company returns to solvency OR converts	<b>7</b>	<b>Distribution</b> Creditors paid per statutory priority waterfall

KEY CREDITOR DIFFERENCE: In business rescue, trading continues under BRP control. In liquidation, all trading ceases immediately.

KREDCOR.CO.ZA | White Paper 8: Business Rescue vs Liquidation — A Creditor's Survival Manual

Figure 1: Side-by-side process map — Business Rescue vs Liquidation from a creditor's perspective.

2.

## Business Rescue — The Full Process for Creditors

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Business rescue was introduced by Chapter 6 of the Companies Act 71 of 2008 as South Africa's primary corporate rehabilitation mechanism, replacing the old judicial management regime. It aims to keep viable businesses alive and trading while restructuring their affairs — and it gives creditors meaningful participatory rights that did not exist under the old system.

### How business rescue commences

Business rescue can begin in two ways. First, the board of directors may pass a resolution to commence voluntary business rescue if they reasonably believe the company is "financially distressed" — meaning it will be unable to pay debts within the next six months, or that it will become insolvent within the next six months. The resolution must be filed with the CIPC within five business days.

Second, any affected person — including a creditor — may apply to the High Court for an order placing the company under business rescue. This court route is more adversarial and slower, but it is available when a board refuses to act.

### Key milestones and their significance for creditors

#### Day 0 — Commencement

From the moment the resolution is filed (or the court order granted), a general moratorium applies. No creditor may commence or continue legal proceedings against the company without the written consent of the BRP, or the leave of the court. All enforcement steps — including executing on judgments already obtained — are suspended. This is the most commercially disruptive moment for trade creditors.

#### Within 5 business days — BRP appointment

A Business Rescue Practitioner (BRP) must be appointed. The BRP must be a licensed insolvency practitioner (registered under Section 138). The BRP takes full management control of the company, displacing the board. The BRP has extensive powers, including the power to cancel certain contracts and dispose of assets. Creditors should identify the BRP and make contact immediately.

#### Within 10 business days — First creditors' meeting

The BRP must convene the first meeting of creditors and employees. At this meeting, creditors may question the BRP, vote to replace the BRP, and vote on whether to form a creditors' committee. The creditors' committee has significant advisory and oversight powers — if your claim is material, attend this meeting and vote for committee representation.

**Within 25 business days — Business Rescue Plan**

The BRP must publish a business rescue plan (extendable by a vote of 75%+ of creditors). This is the most important document in the entire process. It sets out the proposed restructuring, the treatment of each class of creditor, the projected distributions, and the comparison with what creditors would receive in liquidation. Study this document in detail before the adoption meeting.

**Plan adoption meeting — the creditor vote**

Creditors vote on the plan. A plan is adopted if holders of at least 75% of the total value of all voting interests vote in favour, AND holders of more than 50% of the independent creditors' voting interest vote in favour. If the plan is rejected, the company is typically placed in liquidation. Your vote matters.

Important: The BRP has the power under Section 136(2) to cancel any contract that was "uncommonly onerous" before the business rescue. This can include supply agreements and leases. If you have a long-term contract with a debtor in rescue, monitor its status closely and take legal advice if cancellation is threatened.

## 3.

## Liquidation — The Full Process for Creditors

Liquidation is the terminal insolvency procedure in South African law. Unlike business rescue, it is not designed to save the company — it is designed to end it in an orderly way that is fair to creditors. The process is governed by both the Companies Act 71 of 2008 (for the winding-up order) and the Insolvency Act 24 of 1936 (for the administration of the estate once the liquidation order is granted).

### Types of winding-up

VOLUNTARY WINDING-UP	COMPULSORY (COURT) WINDING-UP
<ul style="list-style-type: none"> <li>● Shareholders pass special resolution</li> <li>● Filed with CIPC within 10 business days</li> <li>● Company must be solvent (members' voluntary)</li> <li>● OR be in financial distress (creditors' voluntary)</li> <li>● Board must certify solvency or insolvency</li> <li>● Liquidator appointed by Master of High Court</li> </ul>	<ul style="list-style-type: none"> <li>● Application by creditor, director or company</li> <li>● Must demonstrate inability to pay debts</li> <li>● Served on CIPC, Master and company</li> <li>● Provisional order followed by final order</li> <li>● Rule Nisi — debtor may oppose</li> <li>● Final order dissolves company permanently</li> </ul>

### The liquidation process — step by step

#### Provisional winding-up order

The court grants a provisional order winding up the company. At this stage, the company may still oppose the order at the return date (typically 4–6 weeks later). However, the order triggers immediate suspension of all legal proceedings against the company, and the Master of the High Court takes control.

#### Final winding-up order

If not opposed, or opposition fails, the court grants a final winding-up order. The company is now definitively in liquidation. The order is advertised in the Government Gazette and two local newspapers. All assets vest in the Master and then in the appointed liquidator. Directors are *functus officio*.

#### Appointment of liquidator

The Master appoints one or more liquidators. The liquidators' primary duty is to the general body of creditors. They have extensive investigative powers, including the power to examine directors and officers under oath (Section 415 of the Companies Act). Creditors may nominate a liquidator at the first meeting of creditors.

**First meeting of creditors**

Held within 60 days of the winding-up order. Creditors must have submitted proofs of claim before this meeting to vote. At the first meeting, creditors vote on the nomination of liquidators, vote to establish a creditors' committee, and receive an initial report from the provisional liquidator.

**Realisation of assets**

The liquidator identifies, takes possession of, and realises all assets of the company. This includes collecting debts owing to the company, selling movable and immovable property, and recovering assets transferred in pre-liquidation dispositions that may constitute voidable transactions under Section 26 of the Insolvency Act.

**Second meeting of creditors and liquidation account**

After realisation of assets, the liquidator prepares a liquidation and distribution account, which must be lodged with the Master and lie for inspection for 21 days (advertised in the Gazette). Creditors may object to the account. If no valid objections are received, the Master confirms the account and the liquidator distributes accordingly.

**Distribution and deregistration**

Payments are made to creditors in the statutory priority order. Once all distributions are complete and all obligations settled, the company is deregistered by CIPC and ceases to exist as a legal entity.

4.

## The Creditor Priority Waterfall

The single most commercially significant fact about liquidation is the statutory order in which creditors are paid. This "waterfall" determines whether you recover anything at all. B2B trade creditors almost always sit at Priority 4 — concurrent (unsecured) creditors — meaning they receive only what is left after every higher-priority creditor has been paid in full.

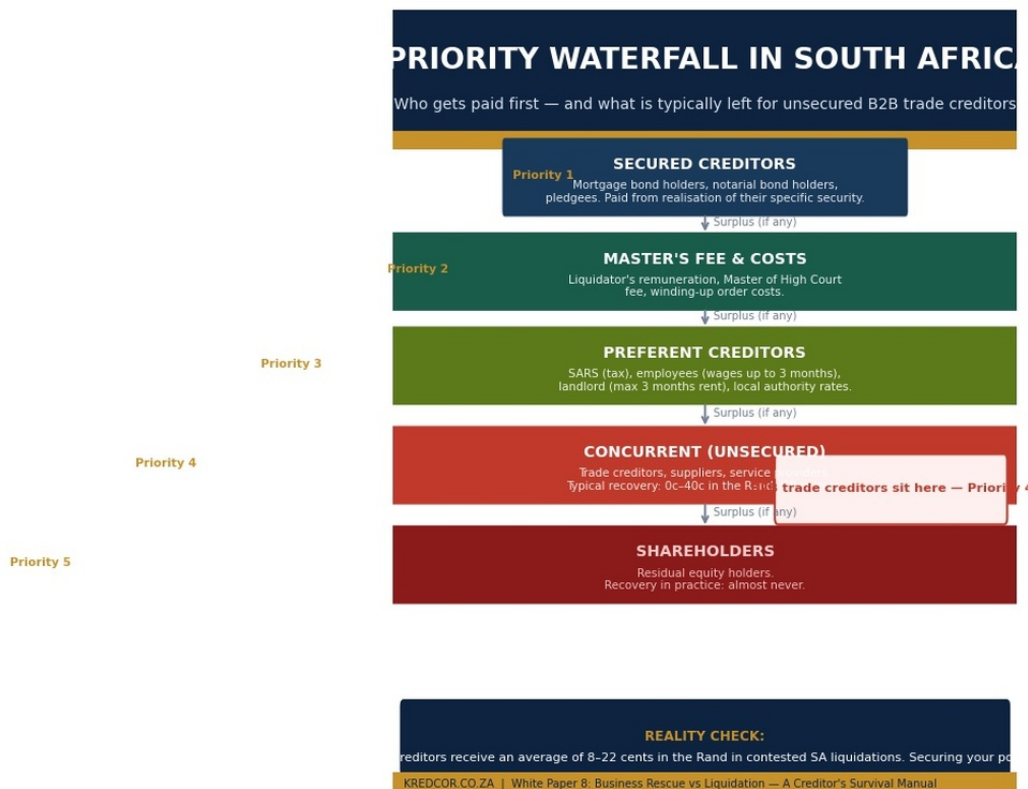


Figure 2: The creditor priority waterfall — who gets paid first in South African insolvency.

### Understanding each tier

#### Priority 1: Secured creditors

Secured creditors hold a real security interest over specific assets of the debtor — mortgage bonds over immovable property, notarial bonds over movables, pledges over negotiable instruments. They are paid from the proceeds of the realisation of their specific security first. If the security is insufficient to cover the full debt, the balance ranks as a concurrent claim.

**Priority 2:  
Administration  
costs**

The costs of the liquidation itself take priority before any creditors are paid. This includes the liquidator's remuneration (calculated as a percentage of assets realised), the Master's fee (currently 0.3% of assets), sheriff costs, legal costs of the winding-up application, and any post-commencement finance arranged by the BRP (in business rescue).

**Priority 3: Preferent  
creditors**

Certain creditors are preferred by statute. These include SARS (for unpaid tax, VAT and PAYE — though the exact priority of tax claims is complex and contested), employees (wages up to a maximum of three months), and landlords (unpaid rent up to a maximum of three months' rent). The ranking between different preferent creditors follows Section 98 of the Insolvency Act.

**Priority 4:  
Concurrent  
(unsecured)  
creditors**

This is where virtually all B2B trade creditors sit. Concurrent creditors are paid pro rata from whatever remains after all higher-priority claims are satisfied. In practice, contested liquidations often leave concurrent creditors with 8–22 cents in the Rand at best, and nothing at worst. Securing your position — through suretyships, reservation of title clauses, or credit insurance — before the debtor becomes distressed is essential.

## 5.

## The Critical First 10 Days — What You Must Do Immediately

The first ten days after your debtor enters business rescue or liquidation are the most commercially critical of the entire process. Creditors who act within this window consistently achieve better outcomes — better information, better representation, and better recoveries — than those who wait.

### IF YOUR DEBTOR ENTERS BUSINESS RESCUE

- Day 1: Confirm BRP identity and contact details
- Day 1: Stop all new credit supply immediately
- Day 1: Notify your credit insurer (if any)
- Day 2: Send written proof of claim to BRP
- Day 2: Obtain copy of CIPC filing / resolution
- Day 3: Confirm prescription status of all claims
- Day 5: Register for first creditors' meeting
- Day 7: Review all outstanding orders — cancel or hold
- Day 10: Attend first creditors' meeting and vote

### IF YOUR DEBTOR ENTERS LIQUIDATION

- Day 1: Confirm liquidator identity and Master's ref
- Day 1: Stop all credit and recover goods if possible
- Day 1: Notify your credit insurer immediately
- Day 2: Obtain provisional winding-up order number
- Day 2: Lodge initial written notice of claim
- Day 3: Check for any reservation of title (ROT) clause
- Day 5: Identify any surety / personal guarantee
- Day 7: File formal proof of claim with the liquidator
- Day 10: Confirm first meeting of creditors date

The 24-hour rule: The moment you receive notice — whether by letter, email, CIPC search, news report, or phone call — that your debtor has entered business rescue or liquidation, notify three people within 24 hours: your credit insurer (if any), your debt collector, and your attorney. Every hour after that the clock ticks against you.

## 6.

## Proof of Claim — How to File Correctly in Both Processes

Filing a valid, complete and timely proof of claim is the single most important administrative act a creditor must perform in any insolvency proceeding. A defective proof of claim can result in your claim being rejected entirely, ranked below other creditors, or excluded from voting rights at critical meetings.

### What your proof of claim must contain

**Full identity:** Your full legal name, registration number (if a company), physical and postal address, and contact details.

**Amount claimed:** The total amount owing, broken down into capital, interest (with the contractual basis for interest), and any agreed collection costs or legal fees. Note: in liquidation, the in duplum rule caps interest at the capital amount.

**Nature of debt:** A clear description of the transaction giving rise to the debt — services rendered, goods delivered, loan advanced. Reference all relevant invoice numbers, order numbers and contract references.

**Supporting docs:** Copies of: signed credit application, invoices, delivery notes (signed where possible), statement of account, any written correspondence acknowledging the debt, and any suretyship agreements.

**Security held:** Disclose any security you hold (mortgage bond, pledge, suretyship). Failing to disclose security may result in your claim being reduced by the estimated value of the security, even if you choose not to exercise it.

**Preference claim:** If you believe you are a preferent creditor (employee wages, landlord rent, SARS-registered debt), state the statutory basis for your preference clearly.

**Deadline risk:** In liquidation, the claim must be submitted before the first meeting of creditors to have voting rights. In business rescue, there is no hard statutory deadline for filing a claim, but the BRP will use the claims on file when publishing the Business Rescue Plan — which determines distributions. File on Day 1, not Day 20.

## 7.

## The Business Rescue Plan — Your Rights as a Creditor

The Business Rescue Plan (BRP) is the central document of the entire rescue process. It is prepared by the Business Rescue Practitioner and must comply with Section 150 of the Companies Act. As a creditor, you have the right to receive it, study it, vote on it, and — if it does not offer you at least what you would receive in liquidation — vote against it.

### What the plan must contain (Section 150)

- A complete statement of the company's affairs as at commencement of rescue
- A description of the material assets and liabilities and their estimated values
- The proposed basis of distribution to each class of creditors
- A comparison with what creditors would receive on liquidation (the "liquidation comparator")
- The proposed treatment of employees and any proposed retrenchments
- A description of how the company intends to trade its way back to solvency
- The proposed duration of the business rescue process
- The proposed remuneration of the BRP
- Any proposed discharge or compromise of debts
- Post-rescue governance — who will manage the company after the plan is implemented

### How to evaluate the plan as a creditor

The most important question you must answer before the adoption vote is: **does this plan offer me more than I would receive in liquidation?** The plan must include a liquidation comparator. If it does not, or if the comparator appears unrealistic (e.g. it assumes liquidation will yield nothing when in fact the company has substantial fixed assets), you have grounds to vote against it and request independent verification.

You may also vote against a plan that is internally inconsistent, that provides for a discharge of your debt without adequate compensation, or that imposes conditions on payment that are unreasonable. If more than 25% of voting interest votes against the plan, it fails — and the company typically goes into liquidation.

Tactical note: If you believe the BRP has undervalued the company's assets in the liquidation comparator, commission an independent valuation before the adoption meeting. If your valuation shows that liquidation would yield more than the plan offers, you have a compelling basis to vote against the plan and persuade other creditors to do the same.

## 8.

## Voting Rights and Creditor Committees

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South African insolvency law gives creditors meaningful democratic participation rights — but only if they show up and exercise them. Understanding the voting mechanics in both processes is essential.

### Voting in business rescue

In business rescue, creditors vote by value of their claims. The voting interest of a creditor is the rand value of their claim as a proportion of all concurrent claims. Secured creditors vote separately on the portions of their claims that exceed their security. The plan requires approval by at least 75% of total voting interest and more than 50% of independent creditors (those without a financial interest in the company's securities).

### Voting in liquidation

At the first and second meetings of creditors in liquidation, creditors vote by both number and value (a majority in number representing at least 50% in value). Key votes include: nomination of liquidators, establishment of a creditors' committee, and approval or objection to the liquidation and distribution account.

### Creditors' committees

In both processes, creditors may vote to establish a creditors' committee. This committee has significant advisory and oversight rights — it can require the BRP or liquidator to provide information, can challenge decisions, and serves as the collective voice of the creditor body. If your claim is material, seek election to the creditors' committee. The information advantage alone can significantly improve your recovery outcome.

9.

## The Moratorium — What It Means for Debt Collection

One of the most commercially disruptive aspects of both business rescue and liquidation is the moratorium — the statutory freeze on legal proceedings against the company. Understanding exactly what the moratorium covers, and what it does not, is essential for every B2B creditor.

### Business rescue moratorium (Section 133)

During business rescue, no legal proceedings — including arbitration — may be commenced or continued against the company except with the written consent of the BRP, or the leave of the court. This includes: serving summons, executing on a judgment, foreclosing on security, and exercising any lien.

WHAT THE MORATORIUM COVERS	WHAT THE MORATORIUM DOES NOT COVER
<ul style="list-style-type: none"> <li>● Serving new summons on the company</li> <li>● Continuing pending court proceedings</li> <li>● Executing writs or warrant of execution</li> <li>● Foreclosing on mortgage bonds</li> <li>● Exercising a possessory lien over goods</li> <li>● Recovering leased property from company</li> </ul>	<ul style="list-style-type: none"> <li>● Criminal proceedings against directors</li> <li>● Labour proceedings (CCMA, Labour Court)</li> <li>● Regulatory enforcement by SARS, FSCA etc.</li> <li>● Pursuing a surety / guarantor personally</li> <li>● Claims against directors under Section 218</li> <li>● Your own regulatory or compliance obligations</li> </ul>

**Critical point:** The moratorium prevents you from collecting from the company — it does NOT prevent you from pursuing sureties, guarantors, or co-debtors who are not themselves in business rescue. If you hold a personal guarantee from a director, you may proceed against the director immediately and without the BRP's consent.

10.

## Secured vs Concurrent Creditors — Protecting Your Position

The difference between a secured creditor and an unsecured concurrent creditor in South African insolvency can be the difference between recovering 80 cents in the Rand and recovering nothing. The time to secure your position is **before** your debtor becomes distressed — not after.

### Security instruments available to B2B creditors

Instrument	What it secures	Priority in insolvency	Practical note
Suretyship / Personal guarantee	All obligations of the principal debtor	Claim against surety is outside the estate	Most effective tool for SME debtors

Pledge	Specific movable asset in possession of creditor	Secured — Priority 1	Must take possession; useful for stock
Notarial bond (Special)	Specific movable asset not in possession	Secured — Priority 1 (if registered)	Requires notarial deed; registered at Deeds Office
Notarial bond (General)	All movables of debtor generally	Preferent — ahead of concurrent claims	Weaker than special; but still useful
Reservation of title (ROT)	Specific goods supplied until paid	Not part of estate — reclaim goods	Must be in T&Cs; strictly applied
Cession of book debts	Amounts owing to debtor by its debtors	Secured if properly ceded and notified	See WP7 supplementary; needs NCA analysis

## 11.

# Prescription During Business Rescue and Liquidation

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The interaction between prescription and insolvency proceedings is one of the most legally uncertain areas in South African commercial law. Creditors who ignore prescription while waiting for an insolvency process to conclude risk losing an otherwise valid claim — even after surviving the entire proceedings.

The key issue is whether the Section 133 moratorium in business rescue — which prevents the creditor from serving summons — constitutes a "legal impediment" that delays completion of prescription under Section 13(1) of the Prescription Act. The courts have not definitively resolved this question, and until they do, the conservative approach is essential.

**In business rescue:** If your claim has been acknowledged by the company or BRP in writing (through the business rescue plan, a creditors' meeting minute, or correspondence), prescription is interrupted. If no acknowledgement has been obtained, apply to the BRP for written consent to serve process, or apply to court for leave. Do this by month 24 of the debt's age — do not wait until rescue is concluded.

**In liquidation:** Filing a proof of claim with the liquidator is generally accepted as interrupting prescription for that claim. However, do not rely on the liquidation process itself as a substitute for filing. Lodge your claim in writing within the first week of the liquidation order and retain proof of receipt from the liquidator.

**Cross-reference with WP7:** For a complete analysis of prescription mechanics, interruption methods, and the Prescription Act 68 of 1969, refer to Kredcor White Paper 7: The B2B Creditor's Guide to Prescription in South Africa.

## 12.

# Suretyships and Personal Guarantees — Can You Still Pursue Directors?

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A suretyship or personal guarantee is one of the most powerful tools in the B2B creditor's arsenal during insolvency proceedings. Crucially, the moratorium in both business rescue and liquidation applies only to the company — not to the surety. A director or shareholder who has bound themselves as surety for the company's debts remains personally liable and can be pursued without restriction, even while the company is in rescue or liquidation.

The liability of the surety is co-extensive with that of the principal debtor (unless the suretyship specifies otherwise). This means that if the company's liability is R500,000, the surety's liability is R500,000. The surety cannot simply wait for the outcome of the rescue or liquidation before paying — you can demand payment from the surety immediately upon default by the company.

Practical action: If you hold a personal suretyship, issue a formal written demand to the surety on the same day you submit your proof of claim to the BRP or liquidator. Starting both processes simultaneously maximises pressure and demonstrates commercial seriousness. It also interrupts prescription of the suretyship claim separately from the principal debt.

13.

## Pre-Insolvency Warning Signs — The Kredcor Early Warning Framework

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The best outcome in any debtor insolvency is the one you prevented. The second best is the one you anticipated. Kredcor's early warning framework identifies the behavioural and financial signals that consistently precede formal insolvency proceedings in South African B2B relationships — often by 6 to 18 months.

### Stage 1 — Early signals (6–18 months before)

- Payment terms begin to slip — invoices paid at 45 days instead of 30
- Partial payments or split payments on previously full-paying accounts
- Change in primary contact — CFO or financial manager leaves
- Requests for extended credit limits with vague justification
- Unusually large orders placed just before month-end (liquidity-driven buying)
- Disputes over invoices that were never disputed previously

### Stage 2 — Serious signals (1–6 months before)

- Payments stop entirely on one or more accounts
- CIPC filing delays — annual returns not submitted
- SARS tax certificates outstanding (check with debtor)
- Multiple creditors reporting overdue balances (visible on business credit reports)
- Key staff resignations — especially finance and operations
- Debtor requests meetings to "discuss the relationship" — often a precursor to restructuring
- Court judgments appearing on Experian / TransUnion business credit report
- Unusual third-party enquiries about the debtor from attorneys or liquidators

### Stage 3 — Imminent signals (days to weeks before)

- CIPC deregistration notice or name change
- Dishonoured cheques or failed EFT payments
- Notice of business rescue resolution filed on CIPC
- Winding-up application advertised in Government Gazette
- Sheriff presenting a warrant of execution at debtor's premises
- Debtor's employees reporting non-payment of salaries

Action: At Stage 1, obtain a written acknowledgement of debt. At Stage 2, hand the account to Kredcor and obtain a surety demand if one is held. At Stage 3, your collector must attempt urgent collection or issue summons within 48 hours. Waiting for certainty at Stage 3 will cost you the claim.

14.

## Credit Insurance and Business Rescue — What Your Policy Does (and Doesn't) Cover

Credit insurance (also called trade credit insurance) is a product that compensates the insured creditor when a debtor defaults — including as a result of insolvency. It is widely underutilised in the South African B2B market, particularly among SMEs. Understanding what it covers in the context of business rescue and liquidation is essential.

### What credit insurance typically covers

TYPICALLY COVERED	TYPICALLY NOT COVERED
<ul style="list-style-type: none"> <li>● Protracted default (non-payment after agreed period)</li> <li>● Insolvency — business rescue commencement</li> <li>● Insolvency — liquidation / winding-up order</li> <li>● Business rescue plan that discharges part of debt</li> <li>● Political risk (for export credit policies)</li> <li>● Debtor fraud (in some enhanced policies)</li> </ul>	<ul style="list-style-type: none"> <li>● Debts incurred after notice of distress</li> <li>● Debts over the approved credit limit</li> <li>● Disputed invoices (even if dispute is spurious)</li> <li>● Debts where credit terms were not followed</li> <li>● Claims notified outside the policy deadline</li> <li>● Debts to connected parties / related companies</li> </ul>

The critical practical rule is: notify your credit insurer within the deadline specified in your policy — typically 30 to 90 days from the triggering event. Missing the notification deadline is the most common reason credit insurance claims are rejected. In business rescue, the triggering event is typically the filing of the resolution with the CIPC, not the date the BRP is appointed or the plan is published. Check your policy wording carefully.

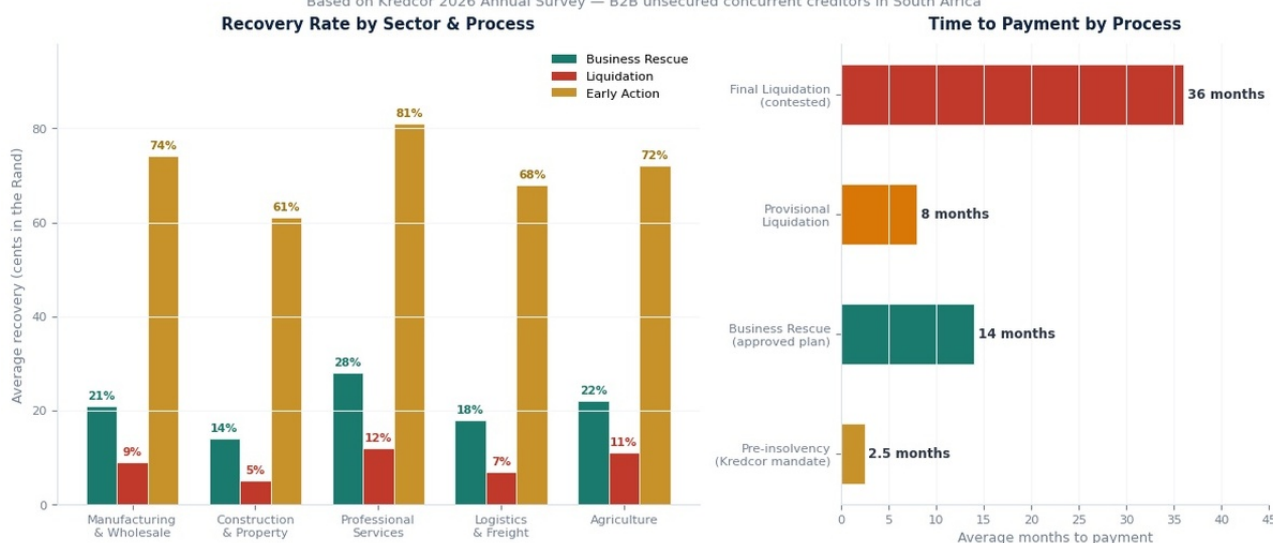
15.

## Recovery Rate Data by Sector — 2026 Kredcor Annual Survey

Kredcor’s 2026 Annual Survey of B2B debt recovery rates provides sector-specific data on what unsecured concurrent creditors typically recover in both business rescue and liquidation proceedings. The data is drawn from 847 insolvency matters administered or tracked by Kredcor over the 2023–2025 period.

### CREDITOR RECOVERY RATES: BUSINESS RESCUE vs LIQUIDATION vs EARLY ACTION

Based on Kredcor 2026 Annual Survey — B2B unsecured concurrent creditors in South Africa



KREDCOR.CO.ZA | White Paper 8 | Source: Kredcor Annual Survey 2026 — B2B unsecured concurrent creditors

Figure 3: B2B unsecured creditor recovery rates by sector and insolvency type — and average months to payment (Kredcor Annual Survey 2026).

### Key findings from the 2026 survey

**Professional services firms:** 28 cents in the Rand on average in business rescue — the highest of any sector — primarily because their assets are intangible (client relationships, IP) and rescue plans often preserve these better than liquidation.

**Construction and property:** Consistently the lowest recovery sector at 5–14 cents. Retention money disputes, complex subcontractor hierarchies, and asset-heavy balance sheets that are difficult to realise quickly all contribute.

**Early action advantage:** Across all sectors, creditors who took pre-insolvency action through Kredcor (obtaining acknowledgements and issuing process before formal insolvency commenced) recovered an average of 74 cents in the Rand — more than triple the insolvency average.

**Time to payment:** The average wait for payment in a contested liquidation is 36 months from the winding-up order — and many creditors wait over 5 years. Business rescue plans, when approved, typically pay within 14 months of commencement.

**Zero recovery:** 34% of concurrent creditors in surveyed liquidations received nothing at all — not because the liquidator failed, but because all assets were absorbed by secured and preferent creditors.

16.

## The Creditor's Survival Checklist

### THE CREDITOR'S SURVIVAL CHECKLIST

Exactly what to do — and when — when your debtor enters Business Rescue or Liquidation

WHEN YOUR DEBTOR ENTERS BUSINESS RESCUE	WHEN YOUR DEBTOR ENTERS LIQUIDATION
✓ File your proof of claim with the BRP immediately — do not wait for the deadline	✓ Obtain the provisional winding-up order number and lodge proof of claim early
✓ Demand the first creditors' meeting notice and attend without fail	✓ Register as a creditor with the liquidator in writing within the advertised period
✓ Apply for creditors' committee membership if your claim is material	✓ Check whether you hold any security (suretyship, pledge, reservation of title)
✓ Obtain a copy of the Business Rescue Plan when published (within 25 days)	✓ Attend the first and second meetings of creditors — votes are taken here
✓ Vote against any plan that provides less than liquidation value — you have the right	✓ Inspect the liquidation account when published in the Government Gazette
✓ Monitor the moratorium — apply for leave to serve process if prescription looms	✓ Object to the liquidation account within 21 days if your claim is incorrectly ranked
✗ Do NOT continue supplying goods or services on credit during the moratorium	✗ Do NOT try to recover goods after the final winding-up order without leave of court
✗ Do NOT negotiate side deals with the BRP without reducing them to writing	✗ Do NOT rely on verbal assurances from the liquidator — everything in writing

**CRITICAL:** The moment you receive notice of business rescue or liquidation, stop the clock — notify your credit insurer, your attorney, and your debt collector within 24 hours.

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Figure 4: The complete creditor's survival checklist — business rescue and liquidation.

17.

## Conclusion and Kredcor Recommendations

The South African insolvency system provides creditors with meaningful rights — but only if they understand the process, act decisively, and show up. The creditors who attend first meetings of creditors, who file complete and timely proofs of claim, who scrutinise business rescue plans, and who pursue sureties simultaneously with company proceedings consistently achieve better outcomes than those who wait passively for a distribution cheque.

The data is unambiguous: early action before formal insolvency proceedings commence delivers recovery rates that are three to five times higher than action taken after a winding-up order or business rescue resolution. The Kredcor Early Warning Framework exists precisely to give creditors the lead time they need to act before the legal machinery of insolvency locks them into the concurrent creditor position.

### Kredcor's five recommendations for every B2B creditor

#### Secure your largest exposures now

Review your top 20 debtors and assess which are unsecured concurrent creditors in the event of insolvency. For each material unsecured exposure, obtain a suretyship from a director or introduce a reservation of title clause in your supply agreement. This should be done at credit application stage — not when the debtor is already in financial distress.

#### Monitor the early warning signals

Implement a structured early warning review process. Every account over 30 days overdue should be assessed against the Stage 1 signals in Section 13 of this paper. Any account displaying two or more Stage 2 signals should be escalated to Kredcor immediately — do not wait for formal insolvency.

#### Train your credit team on insolvency basics

Every member of your credit team should understand: what a proof of claim is and how to file one, what the moratorium covers, why the first creditors' meeting is critical, and what a Business Rescue Plan must contain. This knowledge gap costs South African businesses tens of millions of Rands annually.

**Appoint a specialist commercial debt collector at Stage 2**

Generic call-centre debt collection is demonstrably less effective in insolvency-adjacent situations. At Stage 2 warning signals, appoint a CFDC-registered commercial debt recovery specialist who understands insolvency law, can advise on suretyship enforcement, and can coordinate with your attorneys on the critical first-10-days actions.

**Consider trade credit insurance for material debtors**

For any debtor representing more than 10% of your receivables, or any single exposure exceeding R500,000, obtain a credit insurance quotation. The premium cost of credit insurance — typically 0.2% to 0.5% of insured turnover — is almost always less than the capital cost of a single large liquidation loss.

**Ready to protect your business from debtor insolvency?**

Kredcor offers specialist B2B commercial debt recovery across South Africa. CFDC Reg. Nr. 0016365/06. 26+ years of commercial debt recovery experience.

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